

## Message Text

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46

ACTION NEA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 EA-07 /096 W

----- 042655

R 081311Z MAR 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 4855

INFO AMEMBASSY ABU DHABI

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

USINT BAGHDAD

C O N F I D E N T I A L KUWAIT 1135

E.O. 11652: GDS

TAGS: ENRG, KU

SUBJ: EXXON-KUWAIT OIL TALKS

REF: KUWAIT 0845

1. BAKER OF EXXON WAS IN KUWAIT MARCH 7 FOR DISCUSSIONS WITH MINISTRY OF OIL OFFICIALS REGARDING EXXON'S LIFTINGS OF KUWAITI CRUDE. AGREEMENT WITH GOK UNDER WHICH EXXON WAS TO HAVE LIFTED 100,000 BPD HAS BEEN SUSPENDED SINCE LAST OCTOBER OVER PRICE ISSUE, AND SIX MONTH SUSPENSION PERIOD WILL END MARCH 15. AT THAT TIME DECISION WILL HAVE TO BE MADE REGARDING CONTINUATION OF SUSPENSION OR TERMINATION OF CONTRACT.

2. BAKER SAID THAT AFTER FULL MORING OF DISCUSSIONS WITH UNDER-SECRETARY MAHMOUD ADESANI AND OTHER MOD OFFICIALS (MOST OF THEM CONFIDENTIAL

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NEW AND INEXPERIENCED) IT WAS AGREED THAT BOTH SIDES WILL REVIEW

MATTER AND REACH A DECISION, PROBABLY COMMUNICATED BY CABLE RATHER THAN IN PERSON, NEXT WEEK. BAKER SAID IT WAS POSSIBLE SUSPENSION WILL BE EXTENDED ANOTHER SIX MONTHS OR, ASSUMING NO CHANGE IN PRICE, CONTRACT WILL BE TERMINATED.

3. IN EITHER CASE, AGAIN ASSUMING NO SIGNIFICANT CHANGE IN PRICE/MARKET SITUATION, ISSUE OF PHASE-OUT WILL HAVE TO BE FACED. EXXON PREFERS SIX MONTH SUSPENSION FOLLOWED BY TERMINATION. GOK, HOWEVER, IS LIKELY TO PRESS FOR PHASE-OUT, AS ENVISAGED IN ORIGINAL CONTRACT, SINCE THIS WILL REQUIRE LIFTINGS OF 100,000 BPD FOR THREE MONTHS, AND 50,000 BPD FOR NEXT THREE MONTHS AT PRICE HALF WAY BETWEEN THEN EXISTING GOK ASKED PRICE AND THIRD QUARTER 1975 WHEN PRICE WAS \$10.365 PER BARREL. THIS COULD COST EXXON SOME \$12 MILLION FOR UNWANTED OIL, BUT BAKER CONCEDED THAT IF GOK PRESSES FOR PHASE-OUT, EXXON WILL PROBABLY HAVE TO AGREE. ON OTHER HAND, GOK MAY BE UNWILLING TO HAVE RELATIVELY LARGE AMOUNTS OF LOWER-PRICED GOK CRUDE ON MARKET, AND BAKER THINKS THAT AT LEAST ADESANI IS LIKELY TO BE WILLING TO AGREE TO SIX MONTH SUSPENSION AND TERMINATION WITHOUT IMPLEMENTATION PHASE OUT PROVISIONS.

4. APPARENTLY, MOO OFFICIALS TRIED TO GET EXXON TO ACCEPT THREE MONTH SUSPENSION EXTENSION. THEY ARGUED THAT QUOTE SOMETHING WILL HAPPEN UNQUOTE AT JAKARTA OPEC MEETING IN LATE MAY. BAKER REFUSED TO ACCEPT THIS SUGGESTION, BUT HE FOUND IT INTERESTING THAT KUWAITS ANTICIPATE POSSIBLY IMPORTANT PRICE DECISIONS AT JAKARTA. BAKER SAID MOO OFFICIALS CONTINUED TO EXPRESS SURPRISE THAT ONLY EXXON OF SEVERAL COMPANIES THAT AGREED TO BUY KUWAITI CRUDE, INCLUDING GULF, BP AND SHELL, FELT IT COULD NOT TAKE ANY KUWAITI CRUDE AT ALL.  
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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Draft Date:** 08 MAR 1976  
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